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SUBJECT: GUINEAN GOVERNMENT BEGINS REVIEW OF ALL MINING CONTRACTS
AND CONCESSIONS

Ref: A) Conakry 403 B) Conakry 396

¶11. (SBU) SUMMARY. During its first meeting on April 5, the Guinean cabinet agreed to review and, if deemed in the best interests of Guinea, renegotiate all mining contracts and concessions. The government has now requested that the legislative ratification of concessions for the US firm Hyperdynamics and Russian firm Bauxite Company of Kindia (CBK) be postponed pending review. The National Assembly has resisted, largely on separation of powers grounds, but has left open the door for the government to submit amendments prior to debate. Momo Sakho, legal advisor at the Ministry of Mines told us that postponing ratification of new concessions until all existing mining contracts and concessions are evaluated is in the best interest of Guinea, and should not alarm foreign investors.
End Summary.

In the Best Interest of the Republic of Guinea

¶12. (U) Guinean Minister of Communications and official government spokesman Justin Morel, Jr., issued a statement on April 14 confirming the government's plan to review all mining concessions and contracts (Reftel A). Morel said the purpose of the mining sector review is to evaluate the legality of the concessions, their conformity with international norms, and to ensure the agreements are in the best interests of the Republic of Guinea.

¶13. (U) In this regard, Morel said in his communique that the government was requesting that two mining projects previously on the National Assembly schedule for ratification be withdrawn from the legislative agenda pending review: a concession for offshore oil and natural gas exploration proposed by US firm Hyperdynamics, and a bauxite concession proposed by Russian interests within the Bauxite Company of Kindia (CBK). (Note: provisions of concern in the Hyperdynamics deal were said to include the size of the concession, and tax arrangements.)

¶14. (SBU) On April 16, President of the National Assembly Aboubacar Sompore, seeking to protect the separation of powers, issued a statement that only President Conte could constitutionally withdraw bills submitted to the legislature. He noted that the government could always submit amendments, and noted that in any case, the agreements had not yet been debated. Sompore added that the National Assembly is also concerned over Guinea's mining agreements and invited the executive to revise them in accord with the interests of all parties. We believe that the two branches will come to terms on this procedural hiccup.

We Will Begin With Bauxite

¶5. (SBU) On April 16, EconOff spoke with Momo Sakho, legal advisor at the Ministry of Mines, who stressed that neither U.S. nor Russian firms were being targeted. In removing the proposed ratifications from the legislative agenda, Sakho said, the National Assembly would simply be complying with the wishes of the cabinet to review all such agreements. Sakho said there is not yet a schedule or agenda for review of mining concessions, but he was certain bauxite would be the first within the sector to be reviewed. Although the Guinean government holds lesser interests in gold, diamond and iron mining, those sectors will also be carefully examined, Sakho said. He did not specify when the Hyperdynamics accord would be looked at. According to Sakho, tax concessions, as well as the size and scope of physical mining concessions, will be subjects of the review process.

¶6. (SBU) In a briefing for major donors April 13, new Finance Minister Ousmane Dore referred to the government's intention to revisit mining agreements. He said that Guinea had no intention of "reneging" nor of violating its own investment code, which remains valid. The government did want to be sure that the agreements met international norms and that Guinea's own interests were fully protected. He asserted that some partners had already been in contact with the government to express willingness to talk the issues through.

Comment

¶7. (U) Guinea's historical paradox is that despite its astounding resources, the vast majority of its people live in devastating poverty. Trade and commerce are hindered by the country's historical poor governance, persistent culture of corruption, feeble infrastructure, and slow movement towards a true market economy. In

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reviewing the mining concessions, the Guinean government signals its desire to be sure that agreements in place do not unjustly impinge on Guinea's citizens' right to benefit from the country's riches - a demand that was made loudly during recent popular protests.

¶8. (SBU) We are unsure how the government's review of the mining sector's concessions will impact US or other foreign investment interests. Momo Sakho was adamant that current and future mining ventures -- Global Alumina's 3 billion USD refinery project among them -- are not imperiled, telling EconOff "If the contract is good, there won't be a problem." We will closely follow the events and continue advocacy on behalf of American firms doing business in Guinea. End Comment.

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